

Manitoba Lotteries Corporation

Mission

Manitoba Lotteries' Mission is to provide a fun and entertaining gaming experience in a socially responsible manner to generate benefits for all Manitobans.



SECOND QUARTER REPORT

**FOR THE SIX MONTHS ENDED
SEPTEMBER 30, 2012
(UNAUDITED)**

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**MANITOBA LOTTERIES CORPORATION
OPERATIONAL HIGHLIGHTS**

Manitoba Lotteries Corporation's consolidated net income and comprehensive income for the six months ended September 30, 2012 was \$161.2 million, a decrease of \$10.6 million from the same period last year. This change is due to decreases of \$7.1 million in Video Lotto and \$4.1 million in the Casinos, offset by an increase of \$0.6 million in Lottery.

Revenue, net of cost of sales, decreased \$12.4 million from the same period last year while the share of profit of Western Canada Lottery Corporation increased \$3.0 million. On the expenditure side, operating expenses increased \$0.9 million; depreciation and amortization, GST expense and interest expense net of interest income increased \$2.7 million; and allocations and payments decreased \$2.4 million.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, unaudited)
Six Months Ended September 30th

	2012				2011
	<u>Video Lotto</u>	<u>Casinos</u>	<u>Lottery</u>	<u>Total</u>	<u>Total</u>
Revenue					
Revenue	\$ 157,814	\$ 117,674	\$ 1,399	\$ 276,887	\$ 288,834
Cost of sales	16,325	6,189	2,017	24,531	24,078
	<u>141,489</u>	<u>111,485</u>	<u>(618)</u>	<u>252,356</u>	<u>264,756</u>
Expenses					
Operating	12,586	45,548	4,817	62,951	62,051
Depreciation and amortization	2,066	13,307	-	15,373	12,549
Goods and Services Tax	936	640	74	1,650	1,555
	<u>15,588</u>	<u>59,495</u>	<u>4,891</u>	<u>79,974</u>	<u>76,155</u>
Operating Income	<u>125,901</u>	<u>51,990</u>	<u>(5,509)</u>	<u>172,382</u>	<u>188,601</u>
Share of profit of Western Canada Lotteries Corporation	-	-	33,106	33,106	30,099
Interest expense on long-term debt	(656)	(2,586)	(81)	(3,323)	(3,545)
Interest income	92	30	9	131	180
Income before Allocations and Payments	<u>125,337</u>	<u>49,434</u>	<u>27,525</u>	<u>202,296</u>	<u>215,335</u>
Allocations and Payments	37,554	3,149	349	41,052	43,448
Net Income and Comprehensive Income	<u>87,783</u>	<u>\$ 46,285</u>	<u>\$ 27,176</u>	<u>\$ 161,244</u>	<u>\$ 171,887</u>

Notes to the Consolidated Financial Statements

1. These interim consolidated financial statements should be read in conjunction with Manitoba Lotteries' 2011-12 Annual Report.
2. These interim consolidated financial statements have been prepared following the same accounting policies that are disclosed in the Manitoba Lotteries' Annual Report.
3. Comparative operational information has been reclassified to conform to the presentation of the current year consolidated financial results.

**MANITOBA LOTTERIES CORPORATION
CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**
(in thousands, unaudited)
September 30th

	2012	2011
ASSETS		
Current Assets		
Cash	\$ 31,998	\$ 24,784
Trade and other receivables	16,063	12,482
Inventories	1,325	1,544
Prepayments	5,333	4,757
	<u>54,719</u>	<u>43,567</u>
Property and Equipment, and Intangible Assets	<u>193,394</u>	<u>178,175</u>
	<u>\$ 248,113</u>	<u>\$ 221,742</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	\$ 35,115	\$ 34,705
Payable to the Province of Manitoba	8,244	18,887
Current portion of long-term debt	12,325	13,334
	<u>55,684</u>	<u>66,926</u>
Long-term Debt	186,016	144,411
Provision for Employee Pension Benefits	1,413	827
Equity	<u>5,000</u>	<u>9,578</u>
	<u>\$ 248,113</u>	<u>\$ 221,742</u>